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Employee Representation

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MOST conflicts between nations or between classes arise from barriers to understanding. These barriers removed, ideas, like water, seek their level. In the field of industry these barriers must be razed by machinery for systematic contact and common counsel, if conflict is to be avoided.

Millions of our industrial workers are daily brought beneath the same roofs with the owners or managers of business, but barriers of ignorance and language and the lack of proper machinery for contact and intercommunication, foster a mutual state of fear and distrust, with unsound conceptions of each other's problems. The average employer is no philosopher or reconstructionist and knows little of the psychology of the working classes. The average worker knows little of the problems and embarrassments of business. Unless this gulf is bridged and the traffic of ideas resumed, our existing industrial institutions and our constitutional rights of liberty and property can scarcely survive. Conference in industrial relations is part of the price of peace and coöperation.

The latest promise of substantial progress in this direction springs from the new intra-factory organizations of employees operating under a definite form of industrial government. As a means of adjusting differences and promoting coöperation, common purpose and a broader outlook, as a conduit for the interchange of ideas and viewpoints, this modern type of works council, usually operating independently of the unions, has in a few years made a record of achievement which is unsurpassed. For the light and en-

couragement it has brought us we are indebted to those employers who had the vision and courage to embark while others faltered.

Nearly all plans for works councils provide a definite constitution under which the employees of a single factory by secret ballot elect representatives to act for them in conference with the management. Of first importance is the fact that elections are held in the factory on company's time so that all employees will participate. The simplest and most successful arrangement is where the employee representatives serve on a joint committee with an equal number of representatives of the management. If the concern is a large one, joint committees are elected in each department or division, to dispose of localized questions with a general committee similarly constituted, to consider matters of general interest, and to hear appeals from the departmental or divisional committees. A decision cannot be reached without agreement. In some cases the plan provides for arbitration in the event of ultimate disagreement and in some it does not. In either event, success lies in substituting conference for dictation. Disagreement and arbitration seldom figure.

Another plan which captures the imagination by the term "Industrial Democracy" and by imitation of our republican form of government, establishes a House of Representatives elected by the rank and file, a Senate of foremen and a Cabinet of the chief executives. Concurrence by the three bodies is necessary for action. The chief defect of this plan is encourage-

ment of separate meetings by divergent interests instead of bringing all parties to the same table. The House of Representatives is likely to commit itself without hearing the other side. The Cabinet may be forced to use its veto with unpleasant results.

EFFECT OF THE WORLD WAR ON WORKS COUNCILS

The World War led us to expect profound changes in our industrial institutions. People predicted a new status for labor. Japanese observers went so far as to predict the end of the occidental type of civilization. Labor unions strengthened and entered into the councils of the nation as never before. "We stand today," said one report, "at one of those definite turning points in human history where a generation of men has it in its power, by the exercise of faith and wisdom, by facing the problems of the moment without passion and without shrinking, to determine the course of the future for many years."

A thrill of new interest sprang from this expectancy of great change. Many people began to view this decade in the words of Emerson:

If there is any period one would desire to be born in, is it not the age of revolution; where the old and the new stand side by side and admit of being compared; when the energies of all men are searched by fear and hope; when the historic glories of the past can be compensated by the rich possibilities of the new era. This time, like all times, is a very good one, if we but know what to do with it.

Then followed the reaction, so obvious to any observer, and a current of feeling that the visions of greater equality and democracy in industry were not to be realized promptly. When business activity subsided the employer had less to fear from labor and forgot the prod which drove so

many to try new and interesting experiments in labor management. Some who, a few years ago, expected an overthrow of existing institutions, complacently feel the present reaction is convincing proof that existing institutions are immutable. The very public which had condoned the evils of unionism became the union's censor. Courts and legislatures reacted to the change in popular sentiment. Membership in labor unions greatly decreased. The country witnessed an open shop crusade, in most respects spontaneous and uncoordinated, which was truly phenomenal.

How did this affect the works councils movement in the United States? Has it gone forward or backward, or stood still? Has it survived the unsettled conditions and violent fluctuations concentrated into these few years—years during which the pendulum swung from extreme progressivism back to the side of reaction? These are questions to which answers have been sought by ascertaining approximately how many concerns have experimented with works councils, and their present attitude.

The answers come back in unequivocal terms. Conference in industrial relations has come to stay. It found its real inspiration in war-exaltation and is surviving post-war reaction. Declining business has retarded its rapid spread into new plants but has had little effect on its intrenchment where already adopted. There have been fewer converts since 1920, but the faith of the converted is ever strengthening. The cumulative experience of concerns which *voluntarily* installed the Joint Committee Plan, bears almost uniform testimony to its advantages,¹ while the experience of those employers who were *compelled* so to do by govern-

¹ A few plans of the Industrial Democracy type failed.

ment agencies, is of the opposite character. If the employer is converted and proceeds with moderate social sense, the workers will follow his leadership in this direction with beneficial results to all, unless, perchance, there is outside opposition from trade unions.

GROWTH OF EMPLOYEE REPRESENTATION IN THE UNITED STATES

Generally speaking, the employee representation movement in this country—and probably throughout the entire civilized world—has developed during the last four years. The report of the Federal Industrial Commission in 1916 referred to the plan instituted by the Colorado Fuel & Iron Company in 1915 as a "new departure in the United States." As this example found few, if any, imitators in the following three years, the growth of the movement started almost from nothing about the close of 1917.

During 1918 over one hundred such plans² were inaugurated under government pressure by the National War Labor Board and the Ship Building Labor Adjustment Board, but most of these were abandoned because installed under pressure before the management acquired faith and understanding. Outside of these governmental ventures, about seven hundred of such plans, now still in existence, were established voluntarily in the three years following the close of 1917. Since 1920 only about twenty or twenty-five new plans have been installed.

These seven hundred and twenty-five plans, more or less, which are now in operation, represent about four hundred different concerns, because some companies operating scattered plants are listed as maintaining several plans. Included in the seven hundred

and twenty-five are about one hundred and sixty lumber companies in the Northwest operating under the Loyal Legion of Loggers and Lumbermen, and about thirty-five bituminous coal companies until recently operating under the Maryland Agreement. The total number of employees working under these plans in normal times is estimated to be between 750,000 and 1,000,000, or, approximately, one-tenth of the industrial employees in the United States. Those employed in the factories alone approach in number the union men in good standing in the same industries, although union membership represents the organizing effort of more than a quarter of a century.

The further extension of this plan and its benefits of common counsel depend largely on the action of a comparatively small group of large employers. One per cent, or about 2,900 concerns, employ over one-half of the industrial employees of the United States, or more than 4,500,000. Six-tenths of one per cent, or less than 1,750 establishments, employ over 3,600,000, or nearly forty per cent of the industrial employees. The conversion of this compact group would mean much for the moral and social outlook of a vast number of industrial toilers.

The advancement of this movement is not solely to be measured by the limits of immediate operations, but by the extent of the interest, discussion and association approval which is developing. When these forces back the movement its further extension in normal times is inevitable. The League for Industrial Rights was the first national employers' association to publish a pamphlet, in 1918, positively favoring such a plan. Other important employers' associations, one after another, have made special studies in this direction and have since given their en-

²Exclusive of Loyal Legion of Loggers and Lumbermen.

dorsement. Some have published literature containing suggestions and model forms of constitutions and by-laws. The National Industrial Conference Board has published two studies on the subject. Conventions of employers have discussed the idea during extended sessions. The Canadian Minister of Labor called a convention of leading employers in Canada and published a brochure of their discussions, which were largely confined to this subject. The President's Second Industrial Conference in its final report of March 6, 1920, declared for established channels of expression in each factory and emphatically endorsed the movement. It affirmed that such an arrangement "is itself an agency of collective bargaining and coöperation where union agreements do not obtain." Thus in the course of four years a revolutionary idea, which leads we know not where, has crept into industry, as the most outstanding symptom of changed industrial relations. It exhibits an amazing growth, is the leading feature of industrial discussion, and has been sanctioned by a governmental commission.

INTERNATIONAL ASPECT OF EMPLOYEE REPRESENTATION

Employee representation is not limited to the United States. The growth of the movement is international. Plans providing for coöperation of workers in some phases of industrial management have been instituted, or are being seriously considered in practically all industrial countries of the civilized world.

In *Germany*, pressure from all parts of the country for definite legal establishment of the council system became so great that provision for the creation of works councils was made in the new Constitution of the German Republic, August 11, 1919. As a re-

sult, the Act passed by the National Assembly, January 18, 1920, required that works councils be set up in all industrial undertakings employing twenty or more workers. According to a report of the German Factory Inspection Service, these councils are working satisfactorily in all factories where both sides show good will and an honest desire for successful coöperation. The German Government recently introduced a bill providing for representation of works councils on the Boards of Control of joint stock companies, limited partnerships, limited liability companies, registered coöperative societies and mutual insurance companies.

The *Austrian* Act of May 17, 1919, providing for works councils is almost identical in its broad outline with the German Act.

In *Great Britain*, the Whitley Shop Committee plan, providing for national and district joint councils, was created by Parliament during the War. It is operating with satisfaction in many industrial establishments.

In *Norway*, under an act of July 23, 1920, works councils are to be set up in every undertaking where one-fourth of the employees demand it.

In *Luxemburg*, the Grand Ducal Decree of July 26, 1920, provides for the establishment of permanent works councils in all undertakings employing more than fifteen workers.

The *Czecho-Slovakian* Act of February 25, 1920, makes provision for works councils in mines and allied undertakings. On July 1, 1920, the Ministry of Railways established local, district and central works committees in the railroads; and the workers in the tobacco industry were permitted representation on local and central committees by a Decree of the Ministry of Finance in December, 1920.

Manitoba has a Joint Council of In-

dustry for the adjustment of industrial differences. It is reported that this Council has adjusted disputes which would otherwise have resulted in controversies involving serious losses.

In *Georgie, Russia*, there was in successful operation in 1919 for the adjustment of wage disputes, a wages council, consisting of equal numbers of representatives of workers and employers, but this country is now occupied by Russia and under Soviet rule.

The example set by these countries is spreading to others. In France, Denmark, Belgium, and even in South Africa and India there is serious and careful study of employee representation and a decided leaning toward the adoption of some plan of coöperation. In India some factories are actually operating under such plans.

MORAL AND COÖPERATIVE ASPECTS OF WORKS COUNCILS

The moral content of the idea of works councils and the systematic promotion of common counsel which it implies, is far greater than the narrow and captious phrase "collective bargaining." Class conflicts will never be averted by any process of mere bargaining. Some community of interest must be defined and its promotion sought by joint action. Collective action, which only regards grievances and bargaining, too often falls into collective antagonism. That is one of the reasons why some employers are loath to accept it. But collective functioning, which includes the idea of collective coöperation and constructive effort, will prove successful. Where an employer meets his employees merely to settle grievances, he need expect little coöperation. If, on the other hand, he provides permanent constitutional machinery and periodical meetings to discuss the opportunities and duties which arise from time to time,

there can gradually be created a greater community of effort and a keener realization of the relations of each man's effort to the whole. Such a realization makes a stronger appeal to the creative instinct of men than a system which confines the interest and vision to a particular process. The good will, coöperation, and willingness to sacrifice for the common good, developed by these arrangements in some of the more advanced concerns, surpass anything previously attained in large factories.

Even those whose extreme liberalism seeks far more than is offered by this new era of joint conference in industry, should encourage these arrangements as a step in the right direction, without looking upon them as an ultimate destination. They represent a tremendous stride in progress by substituting joint conference for dictation and a constitutional basis of industrial government. It is hardly to be expected that the great mass of employers can be persuaded to look further until experience with such departures has given further light. After this experiment has been in effect for a reasonable period of time, both employers and employees will come to a better understanding of their duties and will develop a better vision for the future. The engine of industrial progress is travelling rapidly, and with every advancement in its onward movement, the searchlight penetrates still further the darkness of the future.

CONCLUSION

To summarize all of the advantages of shop representation is a huge undertaking. Self-interest is no longer the exclusive guide of conduct and mutual interests are regarded. The moral development of each member of the factory organization, from the president down, becomes notable. Under-executives are led to a fuller under-

standing of the rank and file and the rank and file take a new interest in business problems. Grievances are aired and corrected instead of breeding irritation and resentment. Foremen are restrained by a consciousness that their decisions may be reviewed. The square deal is safeguarded by full hearings on both sides. The opportunities of the individual are better protected and special talents more surely discovered and recognized. The workers obtain a better appreciation of group responsibilities and the true meaning of representative government.

Among conservatives there are wide differences of opinion as to the need of progress in this direction. Such varying viewpoints arise from different conceptions as to the durability of existing institutions. Among those who feel that this present era of unrest, like other eras which have come and gone, will leave the fundamental nature of our institutions unchanged, there can be little incentive for such experiments. But among those who believe that

present arrangements cannot survive; that there is much in the factory system with all of its advantages of quantitative production to constitute a social menace and make potential rebels of a large number of workers, there is a common search for a better method of giving workers a larger voice in matters of direct concern. To the cautious liberal who does not disregard the practical requirements of business, employee representation offers a real hope. It involves no hasty leap from one social era into another, not any violent cataclysm or taking of private property, but a gradual evolution in the direction in which many employers have already turned their faces. Who knows its possibilities? It is grounded on practicality and has the great advantage of elasticity. It may be applied conservatively but it travels the road of idealism and may go as far as the capacity of the workers permit. It may be only the half way house toward industrial democracy, but it surely faces the sunlight.